Comments of

The United Illuminating Company

Re:

Raised Senate Bill 1104
AN ACT CONCERNING NET METERING

Before the Energy & Technology Committee

Legislative Office Building

March 12, 2009

The United Illuminating Company ("UI") is pleased to provide these comments on **Raised Senate Bill No. 1104, AN ACT CONCERNING NET METERING** (the "Bill"). This Bill represents a stark departure from the current legislation governing net metering. It would completely alter the manner in which Class I renewable energy sources and hydropower facilities with nameplate ratings of two megawatts or less are net metered by the State's electric distribution companies. Accordingly, UI strongly opposes the Bill.

There are significant issues associated with the Bill that make its proposed implementation ill-advised. UI notes the following:

1. Net Metering Basics. The existing legislation was enacted to encourage customers to consider the installation of renewable energy sources in order to offset the actual loads of those customers. The existing legislation provides customers who install renewable energy generators with a number of financial incentives, including net energy credits. To the extent that the customer/generator produces more electricity than the customer needs at any given time, and that "excess" power is sent to the grid, UI must credit the customer's account for every kWh sent to the grid. This net energy credit incorporates not only the cost of generation, but also the utility's transmission and distribution charges – which equates to the full "bundled" retail cost of a kWh of electricity. In essence, the excess kWh are paid for at a retail rate, not a generation rate. The existing legislation, and the financial benefits provided by it, were intended for customer-side renewable resources to help customers who install renewable generation reduce their electric service costs while helping the environment. The Bill, however, would amount to a "free for all" by allowing customers to "virtualize" load - artificially pretending that excess generation at one location is being used for load at remote locations (indeed, for any account, across electric distribution company service territory lines, anywhere in the Connecticut load zone). As set forth below, the Bill creates significant issues with no system or ratepayer benefit.

2. Unregulated Power Sales. The Bill would create a new class of unregulated generation suppliers. There are no rules in the Bill. Excess credits can be sold at anytime, to anyone, at any price and at any profit margin. This is contrary to efforts aimed at trying to reduce electric costs to customers. Prices that a customer/generator could charge for these "fully bundled" energy credits would bear no relationship to the customer's cost of operating its renewable generation. These sales could lead to extraordinary prices – all under the banner of promoting green generation. The Bill provides no mechanism for tracking or accounting for the excess kWh so that, for example, the same kWh could be sold twice to two different customers. It is also unclear how alternate suppliers would reconcile their expected sales with kWh that are later purchased by customers under the Bill's program.

3. Creation of Grid-Side Generators. While the intent of the existing legislation was to encourage customer-side renewable generation resources (i.e., generation linked to a known customer load), the Bill would encourage customers to install renewable generation that far exceeds their connected "house" load. The consequence is the unregulated power sale market described above with retail customers essentially

becoming grid side resources. While other grid side generators must comply with a comprehensive set of guidelines and rules at ISO-NE and within the State (e.g., DPUC licensing and other requirements), the Bill provides a "back door" entry into the energy market. The level playing field that alternate suppliers currently expect would be lost. A structured environment (as is currently in place) holds generation suppliers accountable for their actions and provides customer protections that must be adhered to by all such suppliers.

4. No System Benefit. There are no ratepayer benefits in the Bill. While one customer's load is "virtualized" away, the electric delivery system remains unchanged and must still be there to serve the customer. In reality, the load at the customer's location (for which the net energy credits are purchased) is not reduced, nor are UI's costs to provide distribution and transmission services to that customer.

5. Cost Shifting/Ratepayer Subsidization. The Bill creates an expense for all other ratepayers because the virtualization will result in stranded transmission and distribution costs. These stranded costs would be paid by all other ratepayers. As noted above, the transmission and distribution infrastructure still needs to be in place not only at the site of the renewable generator, but also at the site for which the net energy credits are purchased (the "pretend" generation site). Under the Bill, the costs associated with the infrastructure would not be paid by the customer/generator or the kWh purchaser, and would be subsidized by all other ratepayers.

6. Gaming/Abuse. The risk of gaming the Bill's proposed net metering construct for profit is extremely great, because there are no power sale rules. The Bill expressly provides that credits can be held indefinitely. This creates not only an administrative nightmare, but also allows the owner of the credits to pick and choose when and where to "redeem" those credits. There would be no relationship between the cost to generate the credit and the redemption price (the value of a kWh at the time that the excess kWh is used to offset kWh in a customer's bill).

7. Administrative Issues. The existing net metering construct is implemented by UI and The Connecticut Light and Power Company through their respective billing systems. UI has invested a considerable amount of time, funding and effort into automating the implementation of its net metering riders, which credit kWh to the same meter that generates the excess kWh. This approach makes it possible for customers, regulators, and the electric distribution companies to understand precisely how excess generation in connection with net metering is valued and accounted for. In contrast, the proposed Bill is a quagmire of uncertainty. There can be an unlimited number of permutations or combinations of customer transactions that would need to be tracked and billed (indeed, not only within UI but also between UI and CL&P because the Bill proposes that net energy credits can be sold on an inter-service territory basis). The lack of a standard, mandatory methodology would result in confusion, the possibility of gaming or abuse, and an increased need for manual billing of these types of net-metered accounts. These additional manual billing requirements would result in additional costs to all ratepayers – again adding to the inequity of the Bill. Increased manual billing and accounting runs

counter to UI's emphasis on automation to minimize errors, meet compliance requirements, and address auditing and accounting concerns.

8. Renewable Generation Support. UI has been and continues to be a strong supporter of renewable generation. It is important, however, that any program to incent renewable generation be done correctly to ensure that we all benefit. The Bill is fraught with difficulties and very real costs with no benefit to ratepayers. If the legislature desires to further incent renewable generation, it could do so with further direct incentives for those who install renewable resources. The incentives must be coupled with rules, so that all ratepayers are treated fairly by ensuring that the benefits of the generation are greater than the associated financial benefits paid for by all customers. It is UI's understanding that one specific project is the impetus for the Bill. This one project has already secured funding from the Connecticut Clean Energy Fund, has applied for conservation and load management funding from UI, and has been approved by the DPUC to receive the natural gas transportation rebate and demand ratchet waiver in connection with the proposed fuel cell. In addition, UI personnel have met with the proponents of the project to discuss net metering, and UI indicated that more load could be connected to the generator so that the project would be able to receive more benefits under the currently existing net metering provisions. Statewide comprehensive changes to the existing net metering provisions that carry with them significant concerns and issues (as outlined above) should not be made in order to benefit one specific project.